TABLE OF CONTENTS

THE SOUTHLAND CORPORATION

$50,000,000

9⅜% Sinking Fund Debentures due December 15, 2003

DAIRIES | STORES

ELEVEN

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Rauscher Pierce Refsnes, Inc.

Representatives of the Underwriters

$50,000,000

The Southland Corporation

9⅜% Sinking Fund Debentures due December 15, 2003

The Debentures will be redeemable at any time in whole or in part at the Company's option at declining premiums. However, prior to December 15, 1988, the Company may not redeem any of the Debentures as part of any refunding operation involving borrowing at an interest cost of less than 9.40% per annum. The Debentures will be entitled to sinking fund payments beginning December 15, 1984, in annual installments of $2,500,000 (which may be increased by the Company to $5,000,000), calculated to retire at least 95% of the issue prior to maturity. Interest on the Debentures will be payable on June 15 and December 15 in each year. See "Description of Debentures" herein.

The Company has made application for listing the Debentures on the New York Stock Exchange.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Initial Public Offering Price (1)	Underwriting Discount (2)	Proceeds to Company (1)
Per Debenture	99.750%	.875%	98.875%
Total	$49,875,000	$437,500	$49,437,500

(1) Plus accrued interest from December 15, 1978. The proceeds are stated before deduction of expenses payable by the Company, estimated at $187,250.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The Debentures are offered severally by Underwriters as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. In addition, the Debentures are being offered at the initial public offering price on behalf of the Company to certain institutions by the several Underwriters as described under "Delayed Delivery Arrangements" herein. It is expected that the Debentures purchased from the several Underwriters will be ready for delivery in definitive form at the office of Goldman, Sachs & Co., New York, N. Y., on or about December 20, 1978, and the Debentures purchased from the Company for delayed delivery will be delivered on January 10, 1979, or April 11, 1979. See "Use of Proceeds" herein. The Debentures will be issued only in fully registered form.

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Rauscher Pierce Refsnes, Inc.

The date of this Prospectus is December 13, 1978.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE DEBENTURES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE COMPANY

The Southland Corporation is the country's largest operator and franchisor of convenience stores, doing business principally under the name 7-Eleven®, and is a major processor of dairy products which are distributed under 11 regional brand names. At September 30, 1978, the Company's operations included 6,511 convenience stores, 110 Gristede's and Charles & Co. food stores and sandwich shops in the New York area, three distribution and food processing centers, truck leasing and manufacturing and distribution of specialty chemicals and ice. Also, the Company owns Southland-McColl (U.K.) Limited, which operates 384 confectionery, tobacco and news stores in England and Scotland and four 7-Eleven stores in England.

The Company, with executive offices at 2828 North Haskell Avenue, Dallas, Texas 75204 (telephone (214) 828-7011), was incorporated in Texas in 1961 as the successor to an ice business organized in 1927. Unless the context otherwise requires, the terms "Company" or "Southland" as used herein include The Southland Corporation and its subsidiaries and predecessors.

AVAILABLE INFORMATION

The Southland Corporation is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Information as of particular dates concerning its directors and officers, their remuneration, options granted to them, principal holders of securities of the Company and any material interest of such persons in transactions with the Company, is set forth in proxy statements distributed to shareholders of the Company and filed with the Commission. Such reports, proxy statements and other information can be inspected and copied at the offices of the Commission, Room 6101, 1100 L Street N.W., Washington, D.C. 20036; Room 1228, Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois 60604; Room 1100, Federal Building, 26 Federal Plaza, New York, New York 10007; Suite 1710, Tishman Building, 10960 Wilshire Boulevard, Los Angeles, California 90024; and Room 503, United States Court House, 10th and Lamar Streets, Fort Worth, Texas 76102, and copies of such materials can be obtained from the Public Reference Section, Securities and Exchange Commission at 500 North Capitol Street, N.W., Washington, D. C. 20549 at prescribed rates. Such reports, proxy statements and other information concerning the Company can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York.

No person is authorized to give any information or to make any representations other than as contained in this Prospectus, and if given or made such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer of any securities other than the Debentures or an offer of the Debentures within any jurisdiction to any person to whom such offer would be unlawful. The delivery of this Prospectus at any time does not imply that the information herein is correct as of any time subsequent to its date.

CAPITALIZATION

The consolidated capitalization of Southland at September 30, 1978, and as adjusted to give effect to the sale of the Debentures offered hereby, was as follows:

	Outstanding	*As Adjusted*
LONG-TERM DEBT (1)		
5%-9.86% Real estate and equipment notes (due 1979 to 2007) (2)	$116,973,206	$116,973,206
8⅜% Sinking fund debentures due 2002	50,000,000	50,000,000
9⅜% Sinking fund debentures due 2003	None	50,000,000
5¾% Convertible subordinated notes due 1987	270,000	270,000
5% Convertible subordinated debentures due 1987	30,000,000	30,000,000
Total Long-Term Debt	197,243,206	247,243,206
CAPITALIZED LEASE OBLIGATIONS DUE AFTER ONE YEAR (3)	58,235,562	58,235,562
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value, authorized 40,000,000 shares, issued and outstanding 19,616,370 shares (4)	196,164	196,164
Additional paid-in capital	224,674,006	224,674,006
Earnings retained in the business (5)	157,986,102	157,986,102
Total Shareholders' Equity	382,856,272	382,856,272
Total Capitalization	$638,335,040	$688,335,040

(1) Does not include $4,087,326 due within one year.

(2) Does not include $3,815,059 of pending mortgage commitments.

(3) Does not include $2,981,807 due within one year. Leases entered into after December 31, 1976, have been accounted for as capital or operating leases in accordance with the provisions of Statement of Financial Accounting Standards No. 13 ("SFAS 13"). Capital leases entered into prior to January 1, 1977, have not been capitalized in the Company's financial statements or the above table. Current Securities and Exchange Commission regulations require that SFAS 13 be applied retroactively at the end of 1978, and the Company's financial statements for prior years and at September 30, 1978, will be restated at that time to capitalize these leases. If capital leases entered into prior to January 1, 1977, had been capitalized at September 30, 1978, the amount of capitalized lease obligations shown in each column in the above table would be increased by approximately $145,000,000. Such amount does not include $17,536,000 of pre-1977 capital leases which were due within one year at September 30, 1978, or $18,300,000 of pending leases which will be capitalized.

(4) Does not include: 511,013 shares reserved for issuance upon exercise of outstanding employee stock options; 850,767 shares reserved for issuance upon conversion of convertible subordinated notes and debentures; 56,403 shares reserved for issuance under the terms of the Key Employees Incentive Plan; and 584,187 shares issued November 30, 1978, as a 3% stock dividend.

(5) The Company estimates that earnings retained in the business would have been reduced by approximately $13,500,000 at September 30, 1978, if capital leases entered into prior to January 1, 1977, had been capitalized at that date.

Estimated minimum lease payments required under operating leases for 1978, net of applicable sublease rentals, giving retroactive effect to SFAS 13, would be $19,500,000.

For information as to $27,500,000 of obligations to be incurred in connection with a pending acquisition, see "Business — Recent Developments" herein.

USE OF PROCEEDS

The net proceeds to be received from the sale of the Debentures, estimated to be $49,250,250, will be added to the general funds of the Company. The Company anticipates that such proceeds will be used primarily for its convenience store expansion program, construction of a new food center and regional distribution center, expansion of existing regional distribution centers, additional capital expenditures, including investments in existing or acquired businesses, and for other corporate purposes. The Company may initially invest a portion of the net proceeds in short-term securities. In the event Delayed Delivery Contracts are executed, up to $15,000,000 of the net proceeds may not be received by the Company until April 11, 1979. See "Delayed Delivery Arrangements" herein.

SUMMARY OF CERTAIN INFORMATION

The following summary of selected historical information for the Company is qualified by reference to the financial statements and other information and data contained in the documents incorporated herein by reference. See "Incorporation of Certain Documents by Reference." With the exception of the ratios of earnings to fixed charges, the financial information was derived from the Company's consolidated financial statements contained in its Annual Report on Form 10-K for the year ended December 31, 1977, and its Quarterly Report on Form 10-Q for the quarter ended September 30, 1978.

(All dollars in thousands)

	Year Ended December 31					*Nine Months Ended September 30*	
	1973	*1974*	*1975*	*1976*	*1977*	*1977*	*1978*
						(unaudited)	
Net Sales	$1,393,622	$1,609,257	$1,787,928	$2,115,768	$2,536,109	$1,873,132	$2,265,068
Gross Profit (1)	$ 359,231	$ 417,438	$ 455,796	$ 529,397	$ 622,316	$ 464,655	$ 558,201
Interest Expense	$ 5,233	$ 7,805	$ 7,066	$ 8,837	$ 14,840	$ 11,039	$ 14,009
Earnings Before Income Taxes and Equity in Earnings of Affiliates	$ 44,146	$ 57,843	$ 68,179	$ 80,586	$ 94,392	$ 74,084	$ 88,681
Net Earnings (2)	$ 23,328	$ 29,736	$ 34,319	$ 40,277	$ 47,596	$ 37,394	$ 45,132
Ratio of Earnings to Fixed Charges (2) (3)	2.61	2.92	3.17	3.31	3.35	3.44	3.77
Convenience Stores Open at End of Period	4,801	5,171	5,579	5,953	6,357	6,278	6,511

(1) "Gross Profit" consists of Net Sales less Cost of Goods Sold, which includes buying and occupancy expenses.

(2) See Note 3 to "Capitalization." The restatement for SFAS 13 will not have a material effect on net earnings or the ratios of earnings to fixed charges for any of the years or interim periods set forth above.

(3) As used in the computation of these ratios, "earnings" consist of earnings before income taxes, equity in earnings of affiliates and fixed charges. "Fixed charges" consist of interest on

borrowed funds and that portion of rental payments deemed to be interest determined for leases presently capitalized or to be retroactively capitalized under SFAS 13, generally based on the Company's incremental borrowing rate at the inception of each lease and for operating leases based upon one-third of rentals. The pro forma ratio of earnings to fixed charges for the year ended December 31, 1977, would be 2.84 if adjusted to give effect to (a) annualized interest on the $50,000,000 principal amount of Debentures offered hereby, (b) annualized interest on indebtedness (including capitalized leases) outstanding at December 31, 1977, (c) interest from the date of issuance on the net increase in indebtedness incurred during the first three quarters of 1978 and (d) interest from the expected date of issuance on the net increase in indebtedness expected to be incurred during the last quarter of 1978. The pro forma ratio of earnings to fixed charges for the nine months ended September 30, 1978, would be 3.26, if adjusted to give effect to item (a) above and the annualized interest on indebtedness (including capitalized leases) outstanding at September 30, 1978, for the nine months then ended. The pro forma ratios do not take into account additional income which might have been earned from convenience stores or other investments financed with the proceeds of the sale of the Debentures and, in the case of the pro forma ratio for the year ended December 31, 1977, other indebtedness expected to be incurred during the last quarter of 1978. Initial annual interest on the Debentures will be $4,687,500.

The results set forth above for the nine month periods ended September 30, 1977 and 1978 are based on the Company's unaudited financial statements for such periods. In the opinion of the Company's management, all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results have been reflected therein. Interim results are not necessarily indicative of results for a full year.

BUSINESS

Stores Group

In each of the past five years, at least 85% of the Company's revenues and operating profits was derived from the Stores Group.

The Company's convenience stores are extended-hour retail stores, emphasizing convenience to the customer, and providing groceries, take-out foods and beverages, dairy products, non-food merchandise (including gasoline), specialty items and incidental services. At September 30, 1978, there were 6,511 convenience stores included in the Company's operations and located in 41 states, the District of Columbia and five provinces of Canada. They operate principally under the name 7-Eleven. Included in the above number are 4,078 in areas where the Company's convenience stores are operated by Company employees and 2,433 in areas where stores are operated by independent franchisees, or are available for franchise, under the Company's franchise program for individual 7-Eleven stores. Sales of stores in such franchised areas are included in the Company's net sales. The Company also operates 110 Gristede's and Charles & Co. food stores and sandwich shops in the New York City area.

At September 30, 1978, an additional 264 7-Eleven stores were operated under licenses the Company has granted in the United States to nine companies for designated areas of 21 states. Also at that date there were 500 stores in Japan, eight in Australia and four in the Maritime provinces of Canada operating under area license agreements, and the Company is considering similar licensing arrangements in other countries. At that same date, affiliates operated five stores in Monterrey, Mexico and 22 in Sweden. In addition, Southland-McColl operated 364

tobacco, confectionery and news stores in England and Scotland and four 7-Eleven stores in England. Stores operated under area licenses, by affiliates and by Southland-McColl (U.K.) Limited are not included in the total number of convenience stores given above for the Company's operations. In addition, their sales are not included in the Company's revenues, but initial fees and royalties paid by area licensees and the earnings of affiliates and of Southland-McColl are reflected in other income or in equity in earnings of affiliates.

At September 30, 1978, the Company's three regional Distribution Centers supplied 3,855 stores in 20 states and the District of Columbia with approximately half of those stores' purchases other than gasoline. A fourth Distribution Center is under construction. Food processing centers, located at each Distribution Center, prepare a line of sandwiches for distribution to 7-Eleven stores and other customers.

Dairies Group

Southland is a major processor and distributor of milk, ice cream and related dairy products through 28 processing plants and 92 principal distribution centers in 37 states and the District of Columbia. The Company's principal brands include Adohr Farms, Bancroft, Briggs, Cabell's, Embassy, Harbisons, Horten's, Midwest Farms, Oak Farms, Velda Farms and Wanzer's.

Special Operations Group

The Company produces a variety of specialty chemical products for distribution throughout the United States and internationally. Principal industries served are bakery products, leather tanning, soap and detergent, textile, dairy and beverage. Reddy Ice manufactures commercial and packaged block and processed ice in Florida, Nevada and Texas for distribution in five states. Hudgins Truck Rental provides both daily and long-term lease vehicles under full-maintenance service in Alabama, Texas, Missouri, Tennessee, Virginia and Florida.

Recent Developments

In November 1978 the Company executed an agreement to acquire Chief Auto Supply, a chain of 119 retail auto parts stores in southern California. If the acquisition is consummated in late December as anticipated, it will be accounted for by the purchase method and the excess of the cost over the fair value of the net assets acquired will be amortized on a straight line basis over 40 years. The results of operations of Chief are to be included in the Company's consolidated financial statements beginning in 1979. If Chief had been combined on a pro forma basis with the Company's consolidated statements of earnings for the three months and nine months ended September 30, 1977 and 1978, the effect on net sales and net earnings would not have been material. The approximate cost of the net assets to be acquired, including expenses of acquisition, will be $20,000,000 cash payable over a two year period through January 2, 1981. Also, the Company will obtain a five year consultation and noncompetition agreement from the selling shareholder for $7,500,000 cash which will be amortized over the five years.

DESCRIPTION OF DEBENTURES

The Debentures are to be issued under an Indenture, dated as of December 15, 1978, between the Company and First International Bank in Houston, N.A., Trustee. The following statements are qualified by reference to the detailed provisions of the Indenture, the form of which is filed as an exhibit to the Registration Statement. The Debentures will be delivered in the form

of fully registered Debentures without coupons in denominations of $1,000 and any integral multiple of $1,000. The Debentures will bear interest from December 15, 1978, at the rate of 9⅜% per annum, payable semi-annually on June 15 and December 15 and will mature on December 15, 2003. The Debentures will be limited to $50,000,000 aggregate principal amount. The Debentures will rank senior to all Subordinated Debt (as defined).

Redemption

The Debentures may be redeemed, at the option of the Company, as a whole or in part at any time on at least 30 days' notice at the following redemption prices if redeemed during the twelve months' period beginning December 15, in each of the following years:

Year	Percentage of Principal Amount	Year	Percentage of Principal Amount
1978	109.125%	1990	103.650%
1979	108.669	1991	103.194
1980	108.213	1992	102.738
1981	107.756	1993	102.281
1982	107.300	1994	101.825
1983	106.844	1995	101.369
1984	106.388	1996	100.913
1985	105.931	1997	100.456
1986	105.475	1998	100.000
1987	105.019	1999	100.000
1988	104.563	2000	100.000
1989	104.106	2001	100.000
		2002	100.000

together in each case with interest accrued to the date fixed for redemption. Notwithstanding the foregoing provisions, the Company may not exercise its option to redeem any of the Debentures prior to December 15, 1988, directly or indirectly, from or in anticipation of moneys borrowed on indebtedness which shall have an interest cost to the Company of less than 9.40% per annum. If less than all the Debentures are redeemed, the Trustee shall select, in such manner as it shall deem appropriate and fair in its discretion, the particular Debentures to be redeemed. (Sections 3.01 and 3.02.)

Sinking Fund

As a Sinking Fund the Company must provide for the retirement of a minimum of $2,500,000 principal amount of Debentures on December 15 in each of the years 1984 to and including 2002. At the Company's option, it may pay into the Sinking Fund each year an additional amount not exceeding $2,500,000 for such year. The right to make such optional Sinking Fund payments is not cumulative. For the purpose of the Sinking Fund, Debentures are redeemable on at least 30 days' notice at the Sinking Fund redemption price, which amount is payable, prior to the redemption date, to the Trustee. The Sinking Fund redemption price is 100% of the principal amount together with accrued interest to the date fixed for redemption. The Company may, at its option, receive credit against Sinking Fund payments for the principal amount of (a) Debentures acquired by the Company and surrendered for cancellation and (b) Debentures redeemed or called for redemption, otherwise than through the operation of the Sinking Fund. (Sections 3.04 and 3.05.)

Subsidiaries

The term "Subsidiary" means a corporation, a majority of the outstanding voting stock of which is owned, directly or indirectly, by the Company and/or one or more Subsidiaries. The term "Restricted Subsidiary" means any Subsidiary which is designated as a Restricted Subsidiary by resolution of the Board of Directors of the Company. (Section 1.01.)

Restrictions Upon Additional Debt

The Company and its Restricted Subsidiaries are prohibited from incurring or guaranteeing any Senior Funded Debt (as defined) unless immediately thereafter Consolidated Net Tangible Assets (as defined) are at least 225% of Consolidated Senior Funded Debt (as defined). This restriction, however, does not prevent a Restricted Subsidiary from becoming liable for Funded Debt (as defined) to the Company or to a Wholly-owned Restricted Subsidiary (as defined) or the extension, renewal or refunding of any Senior Funded Debt of the Company or a Restricted Subsidiary so long as Consolidated Senior Funded Debt is not thereby increased. Funded Debt does not include, among other items, lease obligations which may be required to be capitalized under generally accepted accounting principles. (Sections 1.01 and 4.06.) At September 30, 1978, after adjustment for the offering of the Debentures, the Company could have incurred approximately $113,195,000 of additional Senior Funded Debt under the Indenture.

Restrictions Upon Secured Debt

Neither the Company nor a Restricted Subsidiary is permitted to incur or guarantee certain indebtedness secured by any lien, mortgage, pledge or other encumbrance on its property without equally and ratably securing the Debentures. This restriction does not apply to certain permitted encumbrances described in the Indenture, including encumbrances on any property acquired or constructed by the Company or a Restricted Subsidiary after December 15, 1978, and created contemporaneously with, or within 270 days after, such acquisition or the completion of construction and commencement of full operation of such property, whichever is later, any mortgage on any property owned by the Company or a Restricted Subsidiary securing indebtedness for which commitments were held by the Company or a Restricted Subsidiary as of December 31, 1977, purchase money mortgages, encumbrances existing on property at the time it is acquired by the Company or a Restricted Subsidiary, conditional sales and similar agreements, and the extension, renewal or refunding of any of the foregoing. The Indenture also permits the Company and its Restricted Subsidiaries to incur other indebtedness secured by encumbrances not otherwise specifically permitted which does not exceed 5% of the Consolidated Net Worth (as defined) of the Company and its Restricted Subsidiaries. (Section 4.08.)

Restrictions Upon Sales with Leases Back

Other than the sale of not more than an aggregate of $25,000,000 of such property, the Company is not permitted, and may not permit a Restricted Subsidiary, to sell (except for certain sales or transfers between the Company and one or more Restricted Subsidiaries) any Operating Property (as defined) with the intention that the Company or any Restricted Subsidiary take back a lease thereof, except a lease for a period, including renewals, of not more than 24 months by the end of which period it is intended that the use of such property by the lessee will be discontinued. (Section 4.07.)

Restrictions on Dividends and Stock Redemptions

The Indenture prohibits (i) the Company from paying a dividend or making any other distribution (except in capital stock of the Company) on its capital stock and (ii) any acquisition of such stock by the Company or a Subsidiary if, after giving effect to such action, the aggregate payments for all such purposes after December 31, 1977, would exceed the sum of (a) the Consolidated Net Income (as defined) of the Company and its Restricted Subsidiaries earned subsequent to December 31, 1977, (b) \$40,000,000 and (c) the aggregate of the net proceeds received by the Company from the sale or exchange (other than to a Subsidiary) for cash or other property of its capital stock after December 31, 1977. (Section 4.09.)

Merger and Consolidation

The Indenture provides that no consolidation or merger of the Company with or into any other corporation and no sale or conveyance of its property as an entirety, or substantially as an entirety, shall be made to another corporation having any obligations secured by mortgage or lien (other than those permitted by Sections 4.07 and 4.08) if any assets owned by the Company immediately prior thereto would become subject to such mortgage or lien, unless the Debentures shall be equally and ratably secured with such obligations. (Section 11.03.)

Defaults and Certain Rights on Default

In the event of (a) default for 30 days in the payment of interest, (b) default in payment of the principal of (or premium, if any, on) the Debentures when due and payable, whether at maturity, or otherwise, (c) default in payment or satisfaction of any Sinking Fund obligation, (d) default for 60 days after notice in the performance of any other covenant contained in the Indenture, (e) certain events of bankruptcy, reorganization or insolvency or (f) certain defaults with respect to other indebtedness of the Company, which occur at or accelerate the maturity thereof, then during the continuance of any such default the Trustee or the holders of at least 25% in principal amount of outstanding Debentures may declare the principal of all outstanding Debentures due and payable immediately, *provided* that upon the curing of such default, the holders of a majority in principal amount of the outstanding Debentures may annul such declaration and waive such default. (Section 6.01.) The Company is required to file with the Trustee annually an officers' certificate stating whether the Company has complied with the covenants set forth in the Indenture. (Section 4.11.)

The Trustee

First International Bank in Houston, N.A., will act as Trustee under the Indenture. John P. Thompson, the Chairman of the Board and Chief Executive Officer and a Director of the Company, is a director of First International Bancshares, Inc., the holding company of the Trustee and of First National Bank in Dallas, the Company's transfer agent and registrar. The Company maintains accounts with the Trustee and with First National Bank in Dallas, which also acts as trustee for the Company's 5% Convertible Subordinated Debentures due 1987 and will serve as Authenticating Agent, Paying Agent, and Debenture Registrar under the Indenture. The Indenture contains certain limitations on the right of the Trustee, as a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. (Section 7.13.)

The holders of a majority in principal amount of all outstanding Debentures will have the right, subject to certain limitations in the Indenture, to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee. (Section 6.06.) In case of default the Trustee may, and if requested to do so by the holders of at least a majority in aggregate principal amount of all outstanding Debentures, must, proceed to protect and enforce the rights vested in it by the Indenture. (Section 6.02.) However, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request of any of the debentureholders, unless they shall have offered to the Trustee reasonable security or indemnity. (Section 7.02.)

Modification of the Indenture

The Indenture and the rights of the debentureholders may be modified only with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Debentures outstanding; but no extension of the final maturity of principal or time of payment of interest, or reduction of principal or rate of interest or the percentage required for modifications, will be effective against any debentureholder without his consent. (Section 10.02.)

Satisfaction and Discharge of the Indenture

The Indenture may be discharged upon payment or redemption of all the Debentures or upon deposit with the Trustee of funds sufficient therefor. (Section 12.01.)

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Rauscher Pierce Refsnes, Inc. are acting as representatives, has severally agreed to purchase, the principal amount of Debentures set forth opposite its name below, subject to reduction of the amount of Debentures as described under "Delayed Delivery Arrangements":

Underwriter	*Principal Amount of Debentures*
Goldman, Sachs & Co.	$ 5,320,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	5,315,000
Rauscher Pierce Refsnes, Inc.	5,315,000
ABD Securities Corporation	450,000
Advest, Inc.	450,000
Anderson & Strudwick, Incorporated	200,000
Atlantic Capital Corporation	450,000
Bache Halsey Stuart Shields Incorporated	750,000
Bacon, Whipple & Co.	450,000
Robert W. Baird & Co. Incorporated	450,000
Basle Securities Corporation	450,000
Bateman Eichler, Hill Richards Incorporated	450,000

Underwriter	*Principal Amount of Debentures*
Bear, Stearns & Co.	$ 750,000
William Blair & Company	450,000
Blunt Ellis & Loewi Incorporated	450,000
Boettcher & Company	450,000
Alex. Brown & Sons	450,000
Bruns, Nordeman, Rea & Co.	200,000
The Chicago Corporation	450,000
Craigie Incorporated	200,000
Dain, Kalman & Quail Incorporated	450,000
Daiwa Securities America Inc.	200,000
Dillon, Read & Co. Inc.	750,000
Drexel Burnham Lambert Incorporated	750,000
A. G. Edwards & Sons, Inc.	450,000
Eppler, Guerin & Turner, Inc.	450,000
EuroPartners Securities Corporation	450,000
The First Boston Corporation	1,000,000
First Southwest Company	450,000
Robert Fleming Incorporated	450,000
Hambros Bank Limited	450,000
J. J. B. Hilliard, W. L. Lyons, Inc.	200,000
Howard, Weil, Labouisse, Friedrichs Incorporated	200,000
E. F. Hutton & Company Inc.	750,000
Investment Corporation of Virginia	200,000
Johnson, Lane, Space, Smith & Co., Inc.	200,000
Johnston, Lemon & Co. Incorporated	450,000
Kidder, Peabody & Co. Incorporated	750,000
Kleinwort, Benson Incorporated	450,000
Laidlaw Adams & Peck Inc.	200,000
Cyrus J. Lawrence Incorporated	200,000
Lazard Frères & Co.	750,000
Legg Mason Wood Walker, Incorporated	450,000
Loeb Rhoades, Hornblower & Co.	750,000
McDonald & Company	450,000
Morgan Stanley & Co. Incorporated	1,000,000
Moseley, Hallgarten & Estabrook Inc.	450,000
New Court Securities Corporation	450,000
Newhard, Cook & Co. Incorporated	450,000

Underwriter	*Principal Amount of Debentures*
The Nikko Securities Co. International, Inc.	$ 200,000
Nomura Securities International, Inc.	200,000
Paine, Webber, Jackson & Curtis Incorporated	750,000
Parker/Hunter Incorporated	200,000
Piper, Jaffray & Hopwood Incorporated	450,000
Prescott, Ball & Turben	450,000
The Robinson-Humphrey Company, Inc.	450,000
Rotan Mosle Inc.	450,000
L. F. Rothschild, Unterberg, Towbin	750,000
Salomon Brothers	1,000,000
Scandinavian Securities Corporation	450,000
Scherck, Stein & Franc, Inc.	450,000
Schneider, Bernet & Hickman, Inc.	200,000
Shearson Hayden Stone Inc.	750,000
SoGen-Swiss International Corporation	450,000
Stifel, Nicolaus & Company Incorporated	450,000
Sutro & Co. Incorporated	450,000
Thomson McKinnon Securities Inc.	450,000
Tucker, Anthony & R. L. Day, Inc.	450,000
Underwood, Neuhaus & Co. Incorporated	450,000
Wagenseller & Durst, Inc.	200,000
Warburg Paribas Becker Incorporated	750,000
Wertheim & Co., Inc.	750,000
Wheat, First Securities, Inc.	450,000
Dean Witter Reynolds Inc.	750,000
Total	$50,000,000

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and to pay for all of the Debentures offered hereby if any are taken.

The Underwriters propose to offer the Debentures in part directly to retail purchasers at the initial public offering price set forth on the cover page of this Prospectus and in part to certain securities dealers at such price less a concession of .50% of the principal amount. The Underwriters may allow, and such dealers may reallow, a concession not in excess of .25% of the principal amount to certain brokers and dealers. After the Debentures are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including certain liabilities under the Securities Act of 1933.

DELAYED DELIVERY ARRANGEMENTS

The Company has authorized the Underwriters to solicit offers by certain institutions to purchase Debentures from the Company at the initial public offering price set forth on the cover page hereof, pursuant to contracts providing for payment and delivery on January 10, 1979, or April 11, 1979. Each such contract must be for a minimum of $250,000 principal amount of Debentures, each purchaser must be approved by the Company, and the aggregate principal amount of Debentures covered by such contracts may not exceed $15,000,000 unless otherwise agreed to by the Company. In the event the aggregate principal amount of Debentures for which delayed delivery has been requested is less than $2,500,000, it is unlikely that the Company will accept any Delayed Delivery Contracts for such dates on either such date.

Institutions with whom such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and such others as may be approved by the Company. To the extent that such contracts are entered into, the Company will compensate the Underwriters therefor by paying them the underwriting commission set forth on the cover page hereof. Such contracts will not be subject to any conditions except that (1) the sale of the balance of the Debentures to the Underwriters shall have been consummated and (2) the purchase of the Debentures shall not at the time of delivery be prohibited under the laws of the jurisdiction to which the purchaser is subject. The Underwriters will not have any liability in respect of the validity of such contracts.

The principal amount of Debentures to be purchased by each Underwriter will be reduced by the amount of Debentures covered by such contracts attributed to such Underwriter by reason of such contracts having been arranged by or for such Underwriter or directed and allocated to such Underwriter by a purchaser. The Underwriters may allow a commission of .50% of the principal amount to dealers in respect of Debentures for which contracts directed and allocated to such dealers by purchasers are arranged through the representatives of the Underwriters.

LEGAL MATTERS

The legality of the Debentures will be passed upon for the Company by Clark J. Matthews, II, Esq., its Vice President and General Counsel. Mr. Matthews owns directly 1,913 shares of the Company's Common Stock, has options to purchase 19,656 additional shares at an average exercise price per share of $20.26 and is eligible to receive shares as a participant in the Company's Key Employees Incentive Plan.

Certain legal matters in connection with the offering to which this Prospectus relates are being passed upon for the Underwriters by White & Case, 14 Wall Street, New York, New York 10005.

EXPERTS

The financial statements and schedules contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1977, which is incorporated herein by reference, have been examined by Touche Ross & Co., independent certified public accountants, as stated in their opinion appearing in such Form 10-K, which opinion is also incorporated herein by reference. Such financial statements and schedules have been so incorporated in reliance upon such opinion given upon the authority of that firm as experts in accounting and auditing.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents of the Company are incorporated herein by reference and made a part hereof:

1. Annual Report on Form 10-K for the year ended December 31, 1977.

2. Definitive proxy statement dated March 24, 1978, in connection with its annual shareholders' meeting held on April 26, 1978.

3. Quarterly Report on Form 10-Q for the quarter ended March 31, 1978.

4. Quarterly Report on Form 10-Q for the quarter ended June 30, 1978.

5. Quarterly Report on Form 10-Q for the quarter ended September 30, 1978.

All documents filed by the Company pursuant to Sections 13, 14, or 15(d) of the Securities Exchange Act of 1934 after the date of this Prospectus and prior to the termination of the offering of the Debentures shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents.

THE COMPANY HEREBY UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH PERSON TO WHOM A COPY OF THIS PROSPECTUS HAS BEEN DELIVERED, ON THE WRITTEN REQUEST OF ANY SUCH PERSON, A COPY OF ANY OR ALL OF THE DOCUMENTS REFERRED TO ABOVE WHICH HAVE BEEN OR MAY BE INCORPORATED IN THIS PROSPECTUS BY REFERENCE, OTHER THAN EXHIBITS TO SUCH DOCUMENTS. WRITTEN REQUESTS FOR SUCH COPIES SHOULD BE DIRECTED TO:

GOLDMAN, SACHS & CO.
55 Broad Street
New York, New York 10004

Attn: Dominic Giordano